

Introduced by Senator Jackson

February 26, 2015

An act to amend Sections 3008, 3106, 3203, and 3234 of, to add Section 3215.5 to, to repeal Section 3451 of, and to repeal and add Section 3450 of, the Public Resources Code, relating to oil and gas.

LEGISLATIVE COUNSEL'S DIGEST

SB 545, as introduced, Jackson. Oil and gas operations.

(1) Under existing law, the Division of Oil, Gas, and Geothermal Resources in the Department of Conservation regulates the drilling, operation, maintenance, and abandonment of oil and gas wells in the state. Existing law requires the State Oil and Gas Supervisor to supervise the drilling, operation, maintenance, and abandonment of wells and the operation, maintenance, and removal or abandonment of tanks and facilities related to oil and gas production within an oil and gas field, so as to prevent damage to life, health, property, and natural resources, as provided; to permit owners and operators of wells to utilize all known methods and practices to increase the ultimate recovery of hydrocarbons; and to perform the supervisor's duties in a manner that encourages the wise development of oil and gas resources to best meet oil and gas needs in this state.

This bill would no longer require the supervisor to perform his or her duties in that manner. The bill would instead require the supervisor to authorize the exploration and production of hydrocarbons, including, among other things, the drilling, operation, maintenance, and abandonment of wells, and the use of enhanced oil recovery methods, as defined, and authorize the supervisor to allow an owner or operator of a well to utilize all known methods and practices to increase the

ultimate recovery of hydrocarbons if the supervisor finds that those methods and practices are consistent with existing law.

(2) Existing law requires the operator of a well to file a written notice of intention to commence drilling with, and prohibits any drilling until approval is given by, the supervisor or district deputy. Under existing law, the notice is deemed approved if the supervisor or district deputy fails to respond to the notice in writing within 10 working days from receipt and is deemed canceled if operations have not commenced within one year of receipt.

This bill would require an owner or operator of a well to file an application for approval to commence drilling, containing specified information, and would prohibit any drilling until written approval is given by the supervisor or the district deputy containing specified findings. The bill would authorize the supervisor, upon request, to grant a one-year extension if operations have not commenced within one year of the approval.

(3) The Permit Streamlining Act requires any public agency that is the lead agency for a development project to approve or disapprove of a project, as specified. Under that act, if the lead agency or responsible agency is required to provide public notice of the development project or to hold a public hearing on the development project, or both, and the agency has not provided the public notice or held the hearing, or both, at least 60 days prior to the expirations of specified time periods, the applicant may file an action to compel the agency to provide the public notice or hold the hearing, or both, as specified.

This bill would require the supervisor to perform his or her duties in conformance with that act.

(4) Existing law generally provides that well records filed by owners or operators with the supervisor are public records. However, existing law authorizes the supervisor, upon written request of an owner or operator, to maintain well records of exploratory wells, or other wells if the supervisor determines that there are extenuating circumstances, as confidential information. Under existing law, the confidential period for an onshore or offshore well is up to 2 or 5 years, respectively, from the cessation of drilling operations, as defined. Existing law authorizes the supervisor to extend the period of confidentiality of a well for 6 months upon written request documenting extenuating circumstances and requires that the total period of confidentiality, including all extensions, for onshore and offshore wells not exceed 4 or 7 years, respectively, from the cessation of drilling operations.

This bill would limit the authorization to maintain the confidentiality of well records to exploratory wells and only if the owner or operator includes specified information in the written request. The bill would deem both the request for, and the granting of, confidential well status to be public records and would require that information to be accessible on the division's Internet Web site. The bill would require all well records of a confidential well, as defined, to be posted on the division's Internet Web site once the confidential well period has ended. The bill would require that the confidential period for an offshore well not exceed 3 years from the cessation of drilling operations and would authorize the supervisor to extend the period of confidentiality for confidential wells for only 6 months, upon receiving a written request documenting extenuating circumstances.

(5) Existing law requires an owner or operator of a well to keep a log, core record, and history of the drilling of wells to be provided to the district deputy within 60 days after the date of cessation of drilling, rework, or abandonment operations or the date of suspension of operation. Under existing law, a person who fails to comply with this and other requirements relating to the regulation of oil or gas operations is guilty of a misdemeanor.

This bill would in addition require an owner or operator of a well to report specified information to the applicable regional water quality control board within 5 days of any loss of well and well casing integrity. Because a violation of this requirement would be a crime, the bill would impose a state-mandated local program.

(6) Existing law recognizes the Conservation Committee of the California Oil and Gas Producers and authorizes it or any other committee of oil producers to make voluntary recommendations to the supervisor regarding, among other things, maximum efficient rates of production, as defined, if specified conditions are satisfied.

This bill would instead authorize any committee of oil producers to make recommendations to the supervisor regarding oil and gas exploration and production, as specified, and would require the division to post any recommendations received by the supervisor on the division's Internet Web site.

(7) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 3008 of the Public Resources Code is
2 amended to read:

3 3008. (a) “Well” means any oil or gas well or well for the
4 discovery of oil or gas; any well on lands producing or reasonably
5 presumed to contain oil or gas; any well drilled for the purpose of
6 injecting fluids or gas for stimulating oil or gas recovery,
7 repressuring or pressure maintenance of oil or gas reservoirs, or
8 disposing of waste fluids from an oil or gas field; any well used
9 to inject or withdraw gas from an underground storage facility; or
10 any well drilled within or adjacent to an oil or gas pool for the
11 purpose of obtaining water to be used in production stimulation
12 or repressuring operations.

13 (b) “Prospect well” or “exploratory well” means any well drilled
14 to extend a field or explore a new, potentially productive reservoir.

15 (c) “Active observation well” means a well being used for the
16 sole purpose of gathering reservoir data, such as pressure or
17 temperature in a reservoir being currently produced or injected by
18 the operator, and the data is gathered at least once every three
19 years.

20 (d) “Idle well” means any well that has not produced oil or
21 natural gas or has not been used for injection for six consecutive
22 months of continuous operation during the last five or more years.
23 An idle well does not include an active observation well.

24 (e) “Long-term idle well” means any well that has not produced
25 oil or natural gas or has not been used for injection for six
26 consecutive months of continuous operation during the last 10 or
27 more years. A long-term idle well does not include an active
28 observation well.

29 (f) “Enhanced oil recovery method” means the process of
30 obtaining stranded oil, not recovered from an oil reservoir, by
31 utilizing certain extraction processes, including, but not limited
32 to, thermal recovery, gas injection, chemical injection, and water
33 flooding.

1 (g) “Confidential well” means an exploratory well with records
2 that the division maintains as confidential information in
3 accordance with Section 3234.

4 SEC. 2. Section 3106 of the Public Resources Code is amended
5 to read:

6 3106. (a) The supervisor shall ~~so supervise~~ authorize the
7 exploration and production of hydrocarbons, including drilling,
8 stimulation, the use of enhanced oil recovery methods and well
9 completion techniques, operation, reworking, maintenance, and
10 abandonment of wells and the operation, maintenance, and removal
11 or abandonment of tanks and facilities attendant to oil and gas
12 production, including pipelines not subject to regulation pursuant
13 to Chapter 5.5 (commencing with Section 51010) of Part 1 of
14 Division 1 of Title 5 of the Government Code that are within an
15 oil and gas field, ~~so field~~. These activities shall be authorized in a
16 manner so as to prevent, as far as possible, damage to life, health,
17 property, and natural resources; damage to underground oil and
18 gas deposits from infiltrating water and other causes; loss of oil,
19 gas, or reservoir energy; ~~energy~~; and damage to underground and
20 surface waters suitable for irrigation or domestic purposes by the
21 infiltration of, or the addition of, detrimental substances. waters.

22 (b) The supervisor shall ~~also supervise the drilling, operation,~~
23 ~~maintenance, and abandonment of wells so as to permit the owners~~
24 ~~or operators of the wells to utilize all methods and practices known~~
25 ~~to the oil industry for the purpose of increasing the ultimate~~
26 ~~recovery of underground hydrocarbons and which, in the opinion~~
27 ~~of the supervisor, are suitable for this purpose in each proposed~~
28 ~~case.~~ may allow an owner or operator of a well to utilize all
29 methods and practices known to the oil industry to increase the
30 ultimate recovery of underground hydrocarbons if the supervisor
31 finds that those methods and practices are consistent with this
32 division. To further the elimination of waste by increasing the
33 recovery of underground hydrocarbons, it is hereby declared as a
34 policy of this state that the grant in an oil and gas lease or contract
35 to a lessee or operator of the right or power, in substance, to explore
36 for and remove all hydrocarbons from any lands in the state, in
37 the absence of an express provision to the contrary contained in
38 the lease or contract, is deemed to allow the lessee or contractor,
39 or the lessee’s or contractor’s successors or assigns, to do what a
40 prudent operator using reasonable diligence would do, having in

1 mind the best interests of the lessor, lessee, and the state in
2 producing and removing hydrocarbons, including, but not limited
3 to, the injection of air, gas, water, or other fluids into the productive
4 strata, the application of ~~pressure heat~~ *pressure, heat*, or other
5 means for the reduction of viscosity of the hydrocarbons, the
6 supplying of additional motive force, or the ~~creating~~ *creation* of
7 enlarged or new channels for the underground movement of
8 hydrocarbons into production wells, when these methods or
9 processes employed have been approved by the supervisor, except
10 that nothing contained in this section imposes a legal duty upon
11 the lessee or contractor, or the lessee's or contractor's successors
12 or assigns, to conduct these operations.

13 (c) The supervisor may require an operator to implement a
14 monitoring program, designed to detect releases to the soil and
15 water, including both groundwater and surface water, for
16 aboveground oil production tanks and facilities.

17 ~~(d) To best meet oil and gas needs in this state, the supervisor~~
18 ~~shall administer this division so as to encourage the wise~~
19 ~~development of oil and gas resources.~~

20 *(d) The supervisor shall administer this division in conformance*
21 *with Chapter 4.5 (commencing with Section 65920) of Division 1*
22 *of Title 7 of the Government Code.*

23 SEC. 3. Section 3203 of the Public Resources Code is amended
24 to read:

25 3203. (a) The operator of any well, before commencing the
26 work of drilling the well, shall file with the supervisor or the district
27 deputy a ~~written notice of intention~~ *application for approval* to
28 commence drilling. *The application shall detail all the methods*
29 *and practices expected to be used for the well, including, but not*
30 *limited to, well stimulation treatments and enhanced oil recovery*
31 *methods. The application shall also demonstrate that the drilling*
32 *and any method utilized will pose no threat to the public health*
33 *and safety. Drilling shall not commence until written approval is*
34 *given by the supervisor or the district deputy. If the supervisor or*
35 *the district deputy fails to give the operator written response to the*
36 *notice within 10 working days from the date of receipt, that failure*
37 *shall be considered as an approval of the notice and the notice, for*
38 *the purposes and intents of this chapter, shall be deemed a written*
39 *report of the supervisor. deputy, finding that the project is*
40 *consistent with Section 3106 and that the public health and safety*

1 *and the environment will not be harmed.* If operations have not
 2 commenced within one year of ~~receipt of the notice, the notice~~
 3 ~~approval of the application, the approval shall be deemed canceled.~~
 4 *canceled, unless the applicant makes a written request for an*
 5 *extension with a reason for the extension. The supervisor may*
 6 *grant a one-year extension of the approval in writing. The notice*
 7 *application shall contain the pertinent data the supervisor requires*
 8 *on printed forms supplied by the division or on other forms*
 9 *acceptable to the supervisor. The supervisor may require other*
 10 *pertinent information to supplement the* ~~notice.~~ *application.*

11 (b) After the completion of any well, this section also ~~applies~~
 12 *applies*, as far as may be, to the deepening or redrilling of the well,
 13 any operation involving the plugging of the well, or any operations
 14 permanently altering in any manner the casing of the well. The
 15 number or designation of any well, and the number or designation
 16 specified for any well in ~~a notice an application~~ filed as required
 17 by this section, shall not be changed without first obtaining a
 18 ~~written consent~~ *approval* of the supervisor.

19 (c) If an operator has failed to comply with an order of the
 20 supervisor, the supervisor may deny approval of proposed well
 21 operations until the operator brings its existing well operations
 22 into compliance with the order. If an operator has failed to pay a
 23 civil penalty, remedy a violation that it is required to remedy to
 24 the satisfaction of the supervisor pursuant to an order issued under
 25 Section 3236.5, or to pay any charges assessed under Article 7
 26 (commencing with Section 3400), the supervisor may deny
 27 approval to the operator's proposed well operations until the
 28 operator pays the civil penalty, remedies the violation to the
 29 satisfaction of the supervisor, or pays the charges assessed under
 30 Article 7 (commencing with Section 3400).

31 SEC. 4. Section 3215.5 is added to the Public Resources Code,
 32 to read:

33 3215.5. For any well, regardless of the operation or activity
 34 taking place, if there is any loss of well and well casing integrity,
 35 that loss and any resultant action or remedial work shall be reported
 36 by the operator to the applicable regional water quality control
 37 board with five days of the event.

38 SEC. 5. Section 3234 of the Public Resources Code is amended
 39 to read:

1 3234. (a) (1) Except as otherwise provided in this section, all
2 of the well records, including production reports, of any owner or
3 operator ~~which~~ *that* are filed pursuant to this chapter are public
4 records for purposes of the California Public Records Act (Chapter
5 3.5 (commencing with Section 6250) of Division 7 of Title 1 of
6 the Government Code).

7 (2) Those records are public records when filed with the division
8 unless the owner or operator requests, in writing, that the division
9 maintain the well records of onshore exploratory wells or offshore
10 exploratory wells as confidential information. ~~The records of other~~
11 ~~wells may be maintained as confidential information if, based upon~~
12 ~~information in a written request of the owner or operator, the~~
13 ~~supervisor determines there are extenuating circumstances. The~~
14 ~~owner or operator shall give a detailed explanation and rationale~~
15 ~~for keeping the records of the exploratory well confidential and~~
16 ~~the supervisor shall respond in writing as to whether the~~
17 ~~confidential well status has been granted. Both the request for,~~
18 ~~and the granting of, confidential well status are public records,~~
19 ~~and shall be made accessible on the division's Internet Web site.~~

20 For onshore wells, the confidential period shall not exceed two
21 years from the cessation of drilling operations as defined in
22 subdivision (e). For offshore wells, the confidential period shall
23 not exceed ~~five~~ *three* years from the cessation of drilling operations
24 as specified in subdivision (e).

25 (3) Well records maintained as confidential information by the
26 division shall be open to inspection by those persons who are
27 authorized by the owner or operator in writing. Confidential status
28 shall not apply to state officers charged with regulating well
29 operations, the director, or as provided in subdivision (c).

30 (4) On receipt by the supervisor of a written request
31 documenting extenuating circumstances relating to a particular
32 well, including a well on an expired or terminated lease, the
33 supervisor may extend the period of confidentiality, *as set forth*
34 *in paragraph (2), for no more than* six months. ~~For onshore wells,~~
35 ~~the total period of confidentiality, including all extensions, shall~~
36 ~~not exceed four years from the cessation of drilling operations as~~
37 ~~specified in subdivision (e), and for offshore wells the total period~~
38 ~~of confidentiality, including all extensions, shall not exceed seven~~
39 ~~years from the cessation of drilling operations as specified in~~
40 ~~subdivision (e), unless the director approves a longer period after~~

1 ~~a 30-day public notice and comment period. The director shall~~
2 ~~initiate and conduct a public hearing on receipt of a written~~
3 ~~complaint.~~

4 *(5) Once the confidential well period has ended, all well records*
5 *shall be immediately posted on the division's Internet Web site.*

6 (b) Notwithstanding the provisions of subdivision (a) regarding
7 the period of confidentiality, the well records for onshore and
8 offshore wells shall become public records when the supervisor
9 is notified that the lease has expired or terminated.

10 (c) Production reports filed pursuant to Section 3227 shall be
11 open to inspection by the State Board of Equalization or its duly
12 appointed representatives when making a survey pursuant to
13 Section 1815 of the Revenue and Taxation Code or when valuing
14 state-assessed property pursuant to Section 755 of the Revenue
15 and Taxation Code, and by the assessor of the county in which a
16 well referred to in Section 3227 is located.

17 (d) For the purposes of this section, "well records" does not
18 include either experimental logs and tests or interpretive data not
19 generally available to all operators, as defined by the supervisor
20 by regulation.

21 (e) The cessation of drilling operations occurs on the date of
22 removal of drilling machinery from the well site.

23 SEC. 6. Section 3450 of the Public Resources Code is repealed.

24 ~~3450. The Legislature takes notice of the existence of the~~
25 ~~Conservation Committee of California Oil Producers and of the~~
26 ~~fact that said committee for a number of years last past, in the~~
27 ~~interest of the conservation of oil and gas, has made~~
28 ~~recommendations of maximum efficient rates of production and~~
29 ~~for the intrapool distribution of such maximum efficient rates of~~
30 ~~production with respect to oil pools, capacity production from~~
31 ~~which pools would result in a loss of ultimate production. The~~
32 ~~Legislature declares that recommendations for such purpose are~~
33 ~~in the interest of the conservation of the oil and gas resources of~~
34 ~~this State and that it is lawful for said committee or any other~~
35 ~~committee of oil producers to issue such recommendations as to~~
36 ~~any such oil pool and for producers of oil to comply therewith or~~
37 ~~to agree to comply therewith, provided:~~

38 ~~(a) Copies of all such recommendations shall be currently~~
39 ~~delivered to the supervisor and shall be open to public inspection~~
40 ~~in the office of the supervisor; and~~

~~(b) Any such committee shall make available to the supervisor its records, files, minutes, reports and other data pertaining to such recommendations.~~

~~The supervisor in his discretion may join in any such recommendations or may express his disapproval thereof.~~

~~The supervisor, in the absence of such recommendations by a committee of oil producers with respect to any of such pools, or if the supervisor deems any such recommendations to be insufficient or incorrect, may issue recommendations with respect to any such pools on said subject matter, and it shall be lawful for producers to comply therewith or to agree to comply therewith. Neither a disapproval by the supervisor nor a recommendation by him shall constitute a basis for implying any obligation for producers of oil to comply with such a disapproval or recommendation.~~

~~Nothing herein contained shall be deemed to permit the production of gas in violation of Articles 5 and 6 of Chapter 1 and Chapter 2 of this division.~~

SEC. 7. Section 3450 is added to the Public Resources Code, to read:

3450. (a) The Conservation Committee of the California Oil and Gas Producers or any other committee of oil producers may issue recommendations to the supervisor relating to oil and gas exploration and production, if both of the following are satisfied:

(1) Copies of those recommendations are delivered to the supervisor.

(2) A committee issuing the recommendations makes available to the supervisor its records, files, minutes, reports, and other data pertaining to those recommendations.

(b) The division shall post any recommendation received by the supervisor pursuant to subdivision (a) on the division's Internet Web site.

(c) (1) The supervisor, in his or her discretion, may express his or her disapproval of any recommendation received pursuant to subdivision (a).

(2) The supervisor, in the absence of a recommendation by a committee of oil producers or if the supervisor deems a recommendation to be insufficient or incorrect, may issue recommendations relating to oil and gas exploration and production.

(3) Oil producers may comply or agree to comply with the supervisor's recommendation, but neither a disapproval by the supervisor nor a recommendation by him or her shall constitute a basis for implying an obligation for oil producers to comply with that disapproval or recommendation.

(d) Nothing in this section shall authorize the production of oil or gas in violation of this division.

SEC. 8. Section 3451 of the Public Resources Code is repealed.

~~3451. "Maximum Efficient Rate," commonly referred to as "MER," is defined as the highest daily rate of production which can be sustained economically from a particular pool, from existing wells and facilities, for a reasonable period without loss of economically recoverable ultimate production of oil from such pool.~~

SEC. 9. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

CORRECTIONS:

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